DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WORKING CAPITAL FUND

For additional capital, the Working Capital Fund (WCF)(42 U.S.C) was established pursuant to section 7 for the development of, modifications to, and infrastructure for Departmentwide information technology systems, and for the continuing operation of both Departmentwide and program-specific information systems.

APPROPRIATION HIGHLIGHTS

	ACTUAL 2004	ENACTED 2005	ESTIMATE 2006	INCREASE + DECREASE – 2006 vs 2005
Budget Authority				
From Appropriation Bill:				
Direct Appropriation	$235,000	$270,000	$265,000	-$5,000
Rescission P.L. 108.199 a/ P.L. 108.447 b/...	-1,387 a/	-2,160 b/	...	2,160
Subtotal	233,613	267,840	265,000	-2,840
Program Transfers:				
Salaries and Expenses	...	...	...	...
Inspector General	298	298	...	-298
Housing Certificate Fund .	2,992	...	...	...
Tenant-Based........	...	2,881	5,949	+3,068
Project-Based........	...	1,984	1,800	-184
Public Housing Capital Fund	10,547	10,069	13,230	+3,161
Native American Housing Block Grants	2,704	2,579	...	-2,579
Community Development Fund	4,871	3,437	...	-3,437
HOME Investment Partnerships Program	2,088	1,984	1,000	-984
Homeless Assistance Grants	2,565	2,480	1,000	-1,480
FHA MMI	20,622	14,880	18,281	+3,401
FHA GI/SRI	16,846	9,523	10,800	+1,277
Disabled Housing	467	446	450	+4
Elderly Housing	467	446	450	+4
Interagency Agreements ...	1,052	306	366	+60
Subtotal	65,519	51,314	53,326	+2,013
Subtotal.............	299,132	319,154	318,326	-827
GSE Legislative Proposal c/		[2,000]		-2,000

Working Capital Fund

	ACTUAL 2004	ENACTED 2005	ESTIMATE 2006	INCREASE + DECREASE – 2006 vs 2005
Unobligated Balances (rounded)				
Unobligated Balance: SOY .	$119,190	$32,231	$16,385	–$15,846
New Budget Authority	299,132	319,153	318,326	–827
Recovery: Prior Year Obl .	5,934	12,000	12,000	...
Unobligated Balance Exp.	–1,000	...	...	...
New Obligations	–391,025	–347,000	–319,000	28,000
Subtotal	32,231	16,385	27,711	+11,326
Outlays (net)	212,000	387,000	264,000	–123,000

a/ Rescissions of .59% pursuant to P.L. 108-199.
b/ Rescissions of .80% pursuant to Consolidated Appropriations Act, 2005, P.L. 108-447.
c/ Upon enactment of the proposal announced by the Secretary of Housing and Urban Development (HUD) and the Department of Treasury on September 10, 2003, it is expected that the cost of HUD's responsibilities would be assessed on the Government-Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac. These responsibilities include the establishment and enforcement of affordable housing goals for the GSEs, ensuring GSE compliance with fair housing laws, and providing consultation to the safety and soundness regulator on the GSE's new activities.

STAFFING

	ACTUAL 2004	ENACTED 2005	ESTIMATE 2006	INCREASE + DECREASE – 2006 vs 2005
Full-Time Equivalents.........	373	350	350	...

SUMMARY OF BUDGET REQUEST

The fiscal year 2006 WCF request for HUD is $318.3 million; comprised of $265.0 million in direct budget authority and $53.3 million in reimbursable authority transfers from HUD program areas. The direct appropriation is a 2 percent decrease from the fiscal year 2005 level of $319 million. The transfers increased by $2 million over the fiscal year 2005 level of $51.3 million. As a result of the award of HUD's new infrastructure contracts, $12 million was recaptured from the prior HIIPS Infrastructure contract and will be used for infrastructure activities under the new contract.

The WCF is comprised of information technology (IT) projects that support the Department's objectives of: increasing homeownership, promoting decent affordable housing, strengthening communities, ensuring equal opportunities in housing, embracing high standards of ethics, management and accountability, and promoting participation of community and faith-based and community organizations. IT is deeply embedded in virtually all Departmental business functions, processes, and activities. Planned IT development activities will allow HUD to support implementation of the Presidential Management Agenda, adapt to changing business and user requirements, address

Working Capital Fund

Government Accountability Office and Inspector General findings, support governmentwide eGovernment initiatives, and comply with legislative requirements, such as the Government Paperwork Elimination Act (GPEA), the Government Performance and Results Act (GPRA), the Section 504 and 508 accessibility requirements, Federal Financial Management Improvement Act (FFMIA), and the Government Information Security Reform Act (GISRA).

WORKING CAPITAL FUND
Summary of Requirements by Grade
Salaries and Expenses
Positions

	2004 ACTUAL	2005 ENACTED	2006 REQUEST
Grade:			
Executive Service	5	5	5
GS-15	54	54	54
GS-14	39	38	38
GS-13	108	105	105
GS-12	81	60	60
GS-11	11	11	11
GS-10	3	3	3
GS-9	21	21	21
GS-8	10	10	10
GS-7	12	12	12
GS-6	4	4	4
GS-5	8	8	8
GS-4	7	8	8
GS-3	10	10	10
GS-2	0	1	1
GS-1	0	0	0
Total Positions	373	350	350
Average GS Grade	11.8	12.4	12.4

WORKING CAPITAL FUND
Performance Measurement Table

Program Mission: Improve accountability, service delivery, and customer service of HUD and our partners.					
Performance Indicators	**Data Sources**	**Performance Report**		**Performance Plan**	
		2004 Plan	2004 Actual	2005 Plan	2006 Plan
IT Investment Management	External Assessment	Achieve ITIM Maturity Stage 2	Stage 2 Attained	Achieve Information Technology Investment Management (ITIM) Maturity Stage 3	Maintain Information Technology Investment Management (ITIM) Maturity Stage 3 achieved in fiscal year 2004 and progress toward ITIM Maturity Stage 4.
Enterprise Architecture	Program Area and CIO Agreement	Mortgage and Loan Insurance; Human Resources Management	Mortgage and Loan Insurance; Human Resources Management	Complete target enterprise architectures for eight core business functions.	Complete IT target enterprise architectures.
Security	President's Management Agenda Scorecard	5 Milestones	3 Milestones	Ensure that all individuals with access to HUD sensitive systems have background investigations.	HUD will continue the certification and accreditation (C&A) effort to ensure that 100% of major applications documented in HUD's Inventory of Automated Systems (IAS) have been certificated and accredited and 90% of HUD employees and contractors will have completed IT Security and Awareness Training
Data Systems Assessments	Program Area and CIO Agreement	8 systems	8 systems	Assess eight additional major systems for data quality.	Assess eight additional major systems for data quality
Software Acquisition Capability Maturity Model	External Assessment			Achieve SA-CMM Level 2 for five additional mission critical systems.	Achieve SA-CMM Level 2 for five additional mission critical systems

IT Investment Management: Implement ITIM Maturity Framework to improve the selection and management of HUD's IT portfolio and to ensure that the Department's portfolio of IT projects adequately addresses HUD's business and workforce needs. This process has 5 levels. Five is the highest level of achievement. Indicator: ITIM maturity level.

Enterprise Architecture: Provide strategic IT blueprint of HUD systems from the business, application, data, and technology perspectives. Utilize this tool to guide the IT Investment Management process. Indicator: Target architecture completed.

Security: Reduce risks and vulnerabilities through an effective critical infrastructure protection program for HUD's information and computing systems.   Indicator: Computer security program milestones.

Data Systems Assessments: Conduct systematic, independent assessments of the quality of mission critical data within the Department. Indicator: Additional mission critical data systems that have been independently, systematically assessed.

Software Acquisition Capability Maturity Model: Improve the maturity of software acquisition processes in terms of an evolutionary path from ad hoc to mature. This process has five levels. Five is the highest level of achievement. Indicator: ITIM maturity level.

EXPLANATION OF PERFORMANCE

IT Investment Management

HUD's established rigorous Capital Planning and Investment Control (CPIC) process ensures that the Department's portfolio of IT projects adequately addresses HUD's business strategies and is managed to achieve the expected benefits in accordance with accurate and complete cost, schedule, technical, and performance baselines. In addition to selecting an optimal portfolio of IT projects or investments, HUD monitors and controls its investments to ensure success. Control mechanisms have been established to minimize the likelihood of project failure or excessive cost and schedule overruns.

All investment decisions are based on cost, benefit, and risk assessments or driven by legislative mandates or other external drivers. Investment performance is measured regularly to ensure that all investments contribute to the overall strategic business plan of the agency. The CPIC process at HUD is a dynamic process. HUD's portfolio of IT investments is actively managed to ensure that resources are allocated to the mix of projects that will support the achievement of business goals. The portfolio composition and funding allocations are reviewed quarterly. Active portfolio management ensures that the Department is able to address changing business needs, emergent departmental requirements (legislation, regulations, guidance, court orders, etc.), and project performance considerations in a timely manner.

Enterprise Architecture

The Enterprise Architecture (EA) describes the current and planned design of the Department's business, information and technology. It is an information set that depicts the business activities, the information and data necessary to conduct the business activities, and the technologies necessary to support business operations. An EA enables HUD to clearly see and confirm what is intuitively known about the organization and its inner-workings.

As business conditions, priorities, and technologies change, the HUD CPIC process allows for frequent portfolio reviews and alterations that are subsequently reflected in the architecture. The EA is being used to drive investment decision making by ensuring that initiatives align with the business of the Department, by means of data and technical standards, analysis of redundancies and identification of opportunities. HUD's CPIC process has integrated essential information from the EA as projects are selected, controlled, and evaluated. The Department also has developed EA and IT standards to ensure the interoperability, compatibility and shared usage of technology resources. The architecture and standards provide a foundation for building HUD's IT applications and infrastructure, and are designed to ensure that information can be transferred between different networks, or different hardware and software systems, with accuracy, reliability and security. The standards provide for interoperability across a range of disparate

systems. This approach is both proactive and valuable in creating a stronger framework for aligning IT strategy and day-to-day activities with the overall business strategy.

Security

The Department also benefits from a mature security program provided under the IT Security Policy Compliance and Operations initiative. A primary protection for HUD is assuring that only authorized users are granted access to important application systems, a security feature that is maintained throughout the lifecycle of each HUD system. Such protection is ensured by periodic security reviews, and periodic updates of security plans that delineate the security features of HUD systems. A second major benefit is that it addresses GISRA reporting requirements through security self-assessments, developing and reporting on an overall HUD security plan, and providing a 5-year plan for security. A third benefit is that this initiative provides for a periodic security review by an independent entity; therefore, security problems and shortcomings are revealed and addressed by HUD management.

Data Quality Assessments

The Enterprise Data Management (EDM) Framework and Data Quality Improvement Program (DQIP) facilitates a HUD-wide data management practice that enables the quality, availability, and integration of the Department's data. Key components of the EDM practice are data architecture, data stewardship, and data standards and data quality.   The EDM practice directly supports a key HUD enterprise architecture principle:

> Information is an enterprise asset, leveraged across the information value chain, to improve performance, support decision-making and enable accurate reporting.

EDM/DQ primarily provides for the systematic, independent assessment of the quality of mission critical data at the Department. HUD plans to systematically assess all mission critical data in all HUD mission critical data systems for quality and implement corrective mechanisms to ensure high quality mission critical data. This will enable the Department, in program areas and in IT service areas, to reduce the amount of time and cost devoted to "scrap and rework," by "doing it right" instead of "doing it over."

Software Acquisition Capability Maturity Model

The Software Acquisition (SA) Capability Maturity Model (CMM) describes the principles and practices underlying software acquisition process maturity. It is intended to help HUD improve the maturity of its software acquisition processes in terms of an evolutionary path from ad hoc, chaotic processes to mature, disciplined software acquisition processes. The focus is on identifying key process areas and the exemplary practices that may comprise a disciplined software acquisition process. The maturity framework provided by SA-CMM establishes a context in which:

- Practices can be repeated, if an activity isn't repeated, there is no reason to improve it. There are policies, procedures, and practices that commit the Department to implementing and performing consistently.
- Best practices can be rapidly transferred across program areas. Practices are defined sufficiently to allow for transfer across project boundaries, thus providing some standardization for the Department.
- Variations in performing best practices are reduced. Quantitative objectives are established for tasks; and measures are established, taken, and maintained to form a baseline from which an assessment is possible.
- Practices are continuously improved to enhance capability (optimizing).

Overall Summary of Working Capital Fund Staff Requirements

| | FTE | | | |
	Estimate 2004	**Estimate 2005**	**Estimate 2006**	**Increase + Decrease - 2006 vs 2005**
Headquarters……………………………....................................	276.3	272.5	272.5	0.0
Field ……………………………………....................................	96.7	77.6	77.6	0.0
Total …………………………………….................................	**373.0**	**350.1**	**350.1**	**0.0**

Summary of Working Capital Fund Staff Requirements

	Estimate 2004	**Estimate 2005**	**Estimate 2006**	**Increase + Decrease - 2006 vs 2005**
Headquarters Employment				
Office of Administration	26.1	26.2	26.2	0.0
Chief Technology Officer				
Immediate Office	36.4	34.5	34.5	0.0
Office of Central Information Managemen	7.6	7.6	7.6	0.0
Office of IT Reform	16.1	16.1	16.1	0.0
Office of Investment Strategies Policy and Management	16.0	16.0	16.0	0.0
Office of Systems Integration and Efficiency	78.6	78.3	78.3	0.0
Office of Information Technology	83.5	83.8	83.8	0.0
Subtotal	**238.2**	**236.3**	**236.3**	**0.0**
Office of Chief Financial Officer	12.0	10.0	10.0	0.0
Total	**276.3**	**272.5**	**272.5**	**0.0**
<u>**Field Employment**</u>				
Administration				
Operations	96.7	77.6	77.6	0.0
Subtotal	**96.7**	**77.6**	**77.6**	**0.0**
Total	**373.0**	**350.1**	**350.1**	**0.0**

Detail of Working Capital Fund Staff Requirements

Workload Guideline	Workload Indicator	----- Fiscal Year 2004 -----			----- Fiscal Year 2005 -----				----- Fiscal Year 2006 -----			
		Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE
Chief Information Officer												
Field Employment (Administration)												
Operations												
Provide IT Support	Number of HUD staff supported	7,268	19.78	68.6		6,600	15.83	50.0		6,600	15.83	50.0
Support IT infrastructure	Number of PCs, servers, printers, and laptops supported	9,675	6.09	28.1		9,600	6.00	27.6		9,600	6.00	27.6
Subtotal				**96.7**				**77.6**				**77.6**
Headquarters Employment												
Administration												
DAS Operations												
Field Operations & Technical Support												
Coordinate the development and maintenance of systems	# of systems maintained and supported	112	488.00	26.1		112	488.00	26.2		112	488.00	26.2
Subtotal				**26.1**				**26.2**				**26.2**
Office of Administration Total				**122.8**				**103.8**				**103.8**
Chief Technology Officer												
Provide Program and Policy Support	NA	…	…	9.0		…	…	9.0		…	…	9.0
Administrative Services Staff												
Perform Personnel Management	# of CIO Personnel	239	51.00	5.8		239	51.00	5.8		239	51.00	5.8
Contract Oversight/monitoring												
Project management	# of procurements	216	210.00	21.6		196	210.00	19.7		196	210.00	19.7
Subtotal				**36.4**				**34.5**				**34.5**
Office of Central Information Management												
Developing and managing EPIC		…	…	7.6		…	…	7.6		…	…	7.6
Subtotal				**7.6**				**7.6**				**7.6**
Enterprise Architecture and Solutions Division												
Develop, Support and Maintain HUD's Enterprose Architecture (EA)	NA	…	…	9.0		…	…	9.0		…	…	9.0
Capital Planning and Investment Management Division												

Workload Guideline	Workload Indicator	------ Fiscal Year 2004 ------			------ Fiscal Year 2005 ------				------ Fiscal Year 2006 ------			
		Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE
Support, Develop and Report on the IT Portfolios Within HUD	# of Projects Over $5 Million Per Fiscal Year	21	707.00	7.1		21	707.00	7.1		21	707.00	7.1
Subtotal				**16.1**				**16.1**				**16.1**
Office of Investment Strategies Policy and Management												
Establish and Implement an IT/IRM Policy and Governance Department-wide to Ensure Legislative Compliance	NA	…	…	16.0		…	…	16.0		…	…	16.0
Subtotal				**16.0**				**16.0**				**16.0**
Office of Systems Integration and Efficiency												
Develop and Manage Critical Infrastructure Protection Assurance	# of IT Systems/Applications	160	130.50	10.0		160	130.50	10.0		160	130.50	10.0
BPR and Systems Integration	# of reviews conducted	55	58.00	1.5		55	58.00	1.5		55	58.00	1.5
Configuration management	# of components requiring conf mgmt	248	6.00	0.7		248	6.00	0.7		248	6.00	0.7
Coordinate the development and maintenance of systems	# of systems maintained and supported	246	566.00	66.4		244	566.00	66.1		244	566.00	66.1
Subtotal				**78.6**				**78.3**				**78.3**
Office of Information Technology Immediate Office												
Provide Program and Policy Support	NA	…	…	5.8		…	…	5.8		…	…	5.8
				5.8				**5.8**				**5.8**
Computer Services, Operations, and Maintenance Group												
Customer Services Division												
Provide customer services to IT users	# of customers supported	14,000	4.00	26.7		14,000	4.00	26.8		14,000	4.00	26.8
Telecom Processing Division												
Manage LAN, WAN, Internet, and Intranet services	number of servers	516.00	32.00	7.9		516.00	32.00	7.9		516.00	32.00	7.9
Provide Group Video Conferencing	# of group video conf units	69.00	5.00	0.2		69.00	5.00	0.2		69.00	5.00	0.2
Manage Technical Support and Network Infrastructure for FTS2001 (Federal Telecommunications System Contract)	number of circuits	217	5.00	0.5		217	5.00	0.5		217	5.00	0.5
Subtotal				**8.6**				**8.6**				**8.6**

Workload Guideline	Workload Indicator	------------------ Fiscal Year 2004 ------------------			------------------ Fiscal Year 2005 ------------------				------------------ Fiscal Year 2006 ------------------			
		Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE
Departmental Platform and Processing Division												
Manage Client Servers and Lotus Notes Applications Environment	# of Lotus Note Accounts Supported	14,000	0.70	4.7		14,000	0.70	4.7		14,000	0.70	4.7
Manage Production Systems Environment	# of Application Systems Supported	160	90.00	6.9		160	90.00	6.9		160	90.00	6.9
Subtotal				**11.6**				**11.6**				**11.6**
Systems Engineering, Oversight and Performance Management Division												
Provide Systems Development Standards, Guidance and Technical Assistance to the Development Community	# of Systems Supported	259	65.00	8.0		259	65.00	8.1		259	65.00	8.1
Subtotal				**8.0**				**8.1**				**8.1**
Systems Integrity and Quality Assurnace Division												
Operate Test Center	# of Applications, Plus COTS, That Go Through the Test Center	484	20.00	4.6		484	20.00	4.6		484	20.00	4.6
Provide security operations and consultant services	# of customer accounts processed	29,420	1.20	16.8		29,420	1.20	16.9		29,420	1.20	16.9
Provide automated change control management	# of Applications, Plus COTS, That Go Through the Test Center	270	11.00	1.4		270	11.00	1.4		270	11.00	1.4
Subtotal				**22.8**				**22.9**				**22.9**
Subtotal OIT				**83.5**				**83.8**				**83.8**
Chief Technology Officer Total				**238.2**				**236.3**				**236.3**

Workload Guideline	Workload Indicator	------------------ Fiscal Year 2004 ------------------			------------------ Fiscal Year 2005 -------------------				------------------ Fiscal Year 2006 -------------------			
		Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish-ment	Projected Unit Cost (Hrs)	FTE
Chief Financial Officer												
Working Capital Fund Division												
Manage Working Capital Fund	# of Contract Action (HPS/SPS) processed	2,164	3.00	3.1		2,164	3.00	3.1		2,164	3.00	3.1
Perform Special Projects and Qual/Control / Audit Supt	NA	…	…	6.1	2	…	…	4.1	2	…	…	4.1
Process obligating documents (Fund Control)	# of obligating documents	92	63.30	2.8		92	63.30	2.8		92	63.30	2.8
Subtotal				**12.0**				**10.0**				**10.0**
Working Capital Fund Total				373.0				350.1				350.1

Working Capital Fund

EXPLANATION OF CHANGES FROM 2005 BUDGET ESTIMATE TO 2006 ESTIMATE

The Working Capital Fund (WCF) Division's FTE level of 350 FTE for fiscal year 2006 shows no change with the fiscal year 2005 FTE level, but is a 30 FTE reduction from the requirements identified by the recently completed Resources Estimation and Allocation Process (REAP) Study. The FTE numbers requested for each office represent an effort to staff each component of WCF as close to their identified REAP requirement as possible.

The 30 FTE reduction cuts the Field Operations by 29 percent from the identified REAP requirement. However, it is expected that the new infrastructure contract will provide the services formerly provided by these FTE resources.